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ABSTRACT

This paper contains three articles which present the opinions of the authors on public college tuition and state finance. The problem addressed is the large increase in tuition charged by public sector, four-year colleges coupled with the effects of fiscal constraints facing the states. After an introduction by Richard J. Novak, the papers are: (1) "The Inequities of Low Tuition" (Thomas P. Wallace; (2) "Not An Aid to Education" (Darryl G. Greer); and (3) "Low Tuition, Progressive Taxation" (James R. Mingle). The three authors agree with the causes of the large tuition increase, but differ on what share of the cost the individual should pay and on what share society should pay. Wallace urges state governments to allow public institutions to increase tuition for upper income students able to pay. Greer supports low tuition and is strongly opposed to the high-tuition/high-aid approach citing political, educational, and economic reasons. Mingle concedes that some larger institutions (or specific academic programs within institutions) should be free to choose a path that leads to higher tuition and less state control, but warns of problems of using tuition policy to achieve income redistribution. (LEE)

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Association of Governing Boards
of Universities and Colleges

Tuition and Finance Issues for Public Institutions

Articles by Thomas P. Wallace,
Darryl G. Greer, and James R. Mingle
With an introduction by Richard J. Novak

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TUITION AND FINANCE ISSUES FOR PUBLIC INSITITUTIONS

The 1992-93 academic year again has seen double-digit increases in tuition for the four-year public sector. Coupling the effects of the national recession on state budgets with other fiscal constraints facing states, it appears that tuition increases as well as the percentage of tuition compromising educational costs will continue to rise at consistently high annual rates.

If these trends continue, public colleges and universities and state governments will come to a crucial juncture that may determine their future relationship. Both will have to ask themselves what that relationship will be if tuition (private money) surpasses state appropriations (public money) in comprising institutional revenues. At some institutions this has already happened. If declines in state appropriations continue along with the absence of sensible tuition policies, not only will more and more students be priced out of the market and access be greatly limited, but we may forever alter the critical link between state governments and institutions (the vast majority of which are regionally based, urban, or metropolitan and focusing their research, teaching, and service efforts on state and local populations).

Leaders need to take stock of what is happening as they confront difficult questions: Will state funding and tuition policies be made by default and neglect? Do we squeeze every conceivable dollar out of institutional budgets to minimize tuition increases? How are our students being affected by tuition increases? If we determine that productivity must be increased, how do we go about achieving it?

Many will argue that when all of the reallocations and restructurings are completed we still will be left looking to the single largest source of revenue other than state appropriations -- tuition -- to keep institutional budgets balanced, let alone to begin new initiatives. One thing is certain: Governing boards at the vast majority of public institutions and state systems have the authority to set tuition levels and to determine whether a formal tuition policy should be adopted. It is they who will decide on the answers to the difficult questions.

This Occasional Paper, composed of three articles that appeared in AGB Reports, contains the opinions of three thoughtful individuals on public college tuition and state finance. The authors largely agree about the causes of the dilemma, but they differ on the solutions, with one author differing dramatically from the other two. All three voice concern over the lack of progressivity in state tax systems. They recognize and understand why state funding is declining for public higher education. All three see the value of a policy on tuition, but they differ on the design of that policy. And all three see the value to society of an educated individual, but they differ on what share of the cost

that individual should pay and on what share society should pay.

Thomas P. Wallace, president of Illinois State University urges state governments to allow public institutions to increase tuition for those upper income students able to pay. The majority of the increased tuition revenue would offset declines in state monies, but a substantial portion would go to lower income students in the form of student assistance. In his opinion, years of declining tax support and an adherence to an outdated low-tuition principle have led to grossly underfunded public institutions. His approach is an admittedly controversial one and challenges the majority position held for many years, which says that public college tuition should be low and affordable for all.

Darryl G. Greer, executive director of the New Jersey State College Governing Boards Association, is a strong supporter of low tuition and is adamantly opposed to the high-tuition/high-aid approach for public higher education finance, citing political, educational, and economic reasons. A substantial shift to the student, says Greer, will create, among other things, resentment toward those who cannot pay by those who can. Such a financing scheme also will undermine a common good, and public higher education is such, in his opinion.

James R. Mingle, executive director of the State Higher Education Executive Officers in Denver, has concerns about high tuition which are similar to those of Darryl Greer. Mingle, while conceding that some larger institutions (or particular academic programs) should be free to pursue a path that leads to higher tuition and less state oversight, warns of the pitfalls of using tuition policy to achieve income redistribution, as would happen under a high-tuition/high-aid approach. He argues for a modification and expansion of a policy, found in some states, that differentiates tuition levels by institutional mission. He sees affordable public higher education as one of the few identifiable benefits middle-income people receive from their state tax dollars -- a benefit, he notes, that elected officials explicitly understand.

All interested parties -- boards and campus executives as well as state policy makers and students -- should find that this paper offers a number of insights and divergent points of view on this critical issue affecting the futures of so many stakeholders.

- Richard J. Novak
Director of Public Sector Programs
Association of Governing Boards of
Universities and Colleges

THE INEQUITIES OF LOW TUITION
by
Thomas P. Wallace

Since the 1950s, American public higher education has grown astronomically, has seen its mission expand broadly, and (by most standards) has significantly improved the quality of its programs. Inevitably, higher costs have followed. Now, quality instruction and scholarship are being threatened by the unwillingness of state legislatures to provide sufficient appropriations to support the country's mature systems of public higher education.

The expansion of the scope and missions of state colleges and universities has not been accompanied by a comparable evolution in fiscal policies and practices. An inability to abandon outmoded principles -- such as low public college tuition and heavy reliance on state tax revenues -- has created a national crisis for financing public higher education, preventing institutions from reaching their full potential and denying many low-income and middle-income students access to a full range of educational options.

Public higher education must overhaul its policies and financial strategies if it is to become truly affordable once again and provide adequate access for students from all economic backgrounds. We must abandon the 1950s mindset that assumes that state tax revenues should provide almost all of a public institution's budget.

We must acknowledge that states no longer can or will provide the bulk of public college or university budgets. Consequently, we also must modify the historic low-tuition philosophy used to set prices at our public institutions. While I recognize how controversial such a recommendation is, I think a strong case can be made for a shift to a high-tuition policy, with much of the increased tuition revenue redistributed to needy students. This approach, used by many private colleges, has acheived the appropriate correlation between costs and family income, a correlation that unfortunately has eluded state institutions.

The basic principle of public higher education should be that of all qualified students, regardless of family income, should have access to any state college or university. The reality, however, is that students increasingly are being lumped according to family income into two-year and four-year commuter colleges and residential universities. In the future, budget planning must directly and formally link students' costs, students' needs for financial aid, the ability and willingness of the legislature to provide tax revenues, and realisitic calculations of the revenues that institutions need to perform their missions.

Over the years, too many college leaders have clung to the myth that public higher education can accomplish its goals in a framework of low tuition and declining tax support. But this policy has not and will not provide a satisfactory fiscal strategy for state colleges and universities in the coming years. Costs at public institutions already have exceeded what low-income and middle-income families can afford to pay, and cost will continue to increase.

Yet the tuition increases, which have sometimes been called irresponsible by the news media and the general public, were necessary because of the decline in state tax support. From 1971-90, for example, tuition at Illinois State University increased 225 percent; state tax support only increased by only 100 percent; and the Higher Education Price Index increased by 189 percent. In Illinois, tax support for public universities declined 4.5 percent in constant dollars from 1980-90, while the number of degrees conferred increased 7 percent. Yet public universities in Illinois, as in other states, are under attack for supposed lagging productivity.

Many higher education leaders behave as if state legislatures will invest enormous sums of tax dollars in higher education as soon as the economy improves. The reality is that neither the dollars nor the will to be generous to higher education has existed within many state legislatures for some time. Historically, the proportion of state budgets devoted to higher education reached a maximum of 23.5 percent in 1968 and steadily declined to 18.3 percent in 1990. There is reason to expect this decline to continue, given widespread voter opposition to tax increases and the fiscal pressures exerted by other more politically attractive issues, such as needs for improved health care, prisons, and programs for the elderly.

We must add to this analysis the fact that low public university tuition provides an inequitable and unneeded subsidy for higher income families, from which a large portion of public college students come. Further, in several states, including Illinois, lower income families pay a higher proportion of their incomes in state taxes than do wealthy families. The result of such regressive state tax structures is that wealthy families with significant disposable income have access to high-quality public colleges at tuition rates far below full cost and subsidized to a greater extent by lower income families.

Illinois State University receives approximately $63 million in state tax support for approximately 22,000 students, a tuition subsidy of about $2,800 for each student. This tax support permits the university to charge a tuition $2,800 less than the real cost. The 11 percent of ISU students with family income exceeding $100,000 a year benefit from this tuition subsidy equally with the 33 percent of the students whose family incomes are under $50,000. At Illinois State University, where students' average family income is almost $60,000, 46 percent of the students have sufficient resources to pay the $7,700 charged a resident student, according to federal guidelines on what families can afford to pay, and 34 percent could afford the full $10,500 cost ($7,700 plus the $2,800 state subsidy).

The National Center for Education Statistics estimates that states spent $8.6 billion in academic 1986-87 for tuition subsidies for public university students without financial aid. That year, $8.6 billion would have financed the whole Pell Grant program at its $3.6 billion level and left $5 billion for grants to replace student loans or for other purposes.

A new financing model based on high tuition and high financial aid (which I call the "high financial aid-tuition equity model") could provide both the revenue that institutions need and more assistance for financially needy students. This model requires that much higher tuition be charged in order to collect a greater percentage of the full educational costs from students who can afford to pay them. It also requires that a significant portion of the added tuition revenue be used for grants to low-income and lower middle-income families to help them pay the higher tuition.

While an institution would have a higher "sticker price," the "real cost" would vary more dramatically within an institution's student body, based on the ability to pay, than is now the case in public institutions.

According to this model, current tax subsidies for institutions would continue, but public policy would be modified to create a "secondary subsidy" for needy students -- the grants derived from the increased tuition revenue. Critics of this model point out that legislators could take advantage of this approach to further reduce state appropriations to public colleges and universities. Given the gradual reduction in the proportion of ISU's state budget derived from tax revenues -- from 93 percent in 1970 to 65 percent today -- how much longer can public higher education persist in the expectation that the legislatures will return to the old patterns of support?

History teaches only if it is read and used for future strategies. How unaffordable must a residential public university become before the risks and problems associated with new financial approaches look more promising than the old methods that aren't working?

As an example of such a strategy, during the 1988-89 academic year, the average unmet need for student financial aid at ISU was $392 per student. If tuition had been $250 a semester higher, with 40 percent of the increased revenues committed to student aid, the average unmet financial need for each student would have been reduced 67 percent, to $129. An additional $6.4 million (a 6.7 percent increase in what the state appropriated) would have been available for university operating expenses.

Last fall, the University of California system, facing a $295 million budget shortfall, increased tuition (called a fee in California) by 40 percent, or $650. Twenty percent of the tuition increase was used for student grants of up to $650. This resulted in students with family incomes of less than $30,000 receiving the full $650 grant, fully covering the tuition increase. Students with adjusted family incomes over $30,000 received decreasing amounts of assistance, according to income levels.

Using the California model, if ISU tuition had increased $650 in 1988-89, with 25 percent of the additional revenue devoted to student assistance, 29 percent of the undergraduates would have received grants totaling $3.2 million, and the university's operating budget would have increased $9.4 million, a 9 percent increase over state appropriations.

Clearly, the nation is witnessing a significant erosion of the financial foundation of public higher education. New financial strategies must be found. One such strategy, the high-tuition and high-aid model, can provide additional operating dollars, shield low-income and middle-income families from tuition increases, and limit the need for additional state tax support, which is, and will continue to be, in short supply.

NOT AN AID TO EDUCATION
by
Darryl G. Greer

During the last 40 years, American higher education has expanded from 1 million to more than 13 million students. Spending has grown from $2 billion to more than $100 billion annually. With this expansion, the demand for higher education has shifted dramatically from the private to the public sector, where today we find roughly 85 percent of all students involved in traditional higher education. It is my thesis that national public-policy decisions of recent decades to expand the capacity of higher education and to tax ourselves sufficiently to do so consciously preceded the matter of determining how the new institutions would accomplish their jobs, how they would explicitly account for outcomes, and how they would be financed in the long term.

This was the case, in large part, because of the decentralized nature of the enterprise. The unresolved challenge of justifying, universally, higher education's wide-ranging missions, purposes, structures, and functions is what may be driving the current desire to seek ways to hold higher education more accountable and to continue to figure out where responsibilities for financing the enterprise should rest. Add to these unresolved issues more immediate concerns raised by the recession and federal budget deficit as well as the general uneasiness about our ability to fulfill the dream of equal educational opportunity.

The resulting climate has spawned financing ideas that may prove regressive than progressive -- specifically, radical revision of the current configuration of shared financial responsibilities, a revision that would shift the primary responsibility to parents and students, based on ability to pay. A specific proposal emerging from this movement to reconfigure the finance equation is the high-tuition/high-aid proposal advanced by analysts such as Michael S. McPherson and Morton Owen Schapiro and supported to some degree by Arthur M. Hauptman and Thomas P. Wallace.

In their book Keeping College Affordable, McPherson and Schapiro propose that federal and state governments provide greater grant aid to the neediest college students. Such a policy would be funded by boosting public college tuition for high-income students, thereby reducing current subsidy levels for those students, and freeing up more money for direct grants to low-income and middle-income students. The proposal would shift educational costs to higher-income families through tuition hikes, especially at public institutions, and would indirectly benefit private colleges by bringing public and private tuition together.

The problem with the high-tuition/high-aid approach to funding higher education is not simply that it will fundamentally change the way we finance higher education, but that

it will have powerful political and educational consequences. Once we shift the fundamental financial rationale for funding public higher education from the state to the student, and thereby use the student and parental share as a means of redistributing income, so also do we shift political demands and educational consequences. Some ratcheting up toward national norms of public college tuition in low-tuition states like California may make sense, but a radical change in the existing low-tuition rationale is perilous.

Envision the politics of a public college system wherein a subset of students with adequate financial resources is knowingly paying the lion's share of tuition revenues -- that is, the nondiscounted market-rate price. (I contend that institutions do not now make explicit to students the level of subsidies. Also, who will define 'adequate' financial resources?) Is there any doubt that this subset of constituents will, over time, make greater demands on allocation of resources than will those students whose tuition is almost entirely subsidized? Under the high tuition redistribution of income approach, the amount of public subsidy supporting each student would have to be made explicit. Won't the high levels of aid to low-income students be perceived as a "cost" that government might want to minimize when revenues are down? The high-tuition/high-aid model should not be pursued broadly because it will do the following:

- Shift the philosophical rationale for financing higher education substantially to the student.

- Create new political demands and expectations pitting "haves" against "have nots."

- Create greater divisiveness within academe, eroding the sense of common purpose.

- Require a cumbersome bureaucracy no more likely to serve the interests of low-income students than the current student financial-aid system.

Indeed, under the high-tuition approach, more students would have to be subsidized, and therefore, the distribution system would be more complex.

Perhaps most ominous of all, the proposal would tend to bleed public higher education of its broad-based political support and the attendant taxpayer investment.

Currently, the state taxes we pay toward public higher education, as well as other state-supported activities, are based on personal resources. This is where income redistribution policy works best, not at the micro level where fees are charged. At the macro level, taxation is a means of redistributing income to benefit the common good. Thus, many of the tax-supported goods distributed by government are available to us by virtue of our residency, without fees and irrespective of how much tax we pay or how

much we need, use, or directly benefit from what's offered. These goods often relate to what is universally beneficial to the community. Elementary and secondary education, most roadways, and free public libraries are good examples.

Other government goods are provided on a free basis. This micro form of revenue collection presumably compensates the government for some of the costs related to providing goods and services received for private benefit. Common fees are unrelated to income or market considerations -- or ability to pay. Instead, they relate to maintaining the common good with the potential for everyone to benefit. Some examples are motor vehicle registration, adult school classes, and fishing licenses. Such fees are set low enough to be universally affordable; sometimes, special provisions are made for those in dire financial need.

Currently, higher education falls into this latter category. Unfortunately, the high-tuition/high-aid proposals would move public higher education toward a more market-rate approach to setting fees, which without adjustment by definition harms lower income students. The proposals also fail to recognize that the citizens who already have been significantly taxed, based on ability to pay, may revolt at what amounts to another sliding-scale tax; or if they don't revolt, they will begin to lose sight of their stake in a healthy level of state-supported services for the common good, particularly public dollars for higher education.

Income redistribution through tuition, which already occurs to a great extent within higher education financing, especially among higher priced institutions, should not become the primary means of financing colleges. The reason many states created public colleges in the first place was to create more equitable opportunity. To finance institutions based on students' ability to pay would, in the long term, undercut the sense of contributing to the common good that distinguishes American higher education.

At the undergraduate level, how far should we take realignment of student costs, student needs, and student benefits with college costs? Should physics majors pay more than English majors? Don't low-cost, high-enrollment programs effectively subsidize high-cost, low-enrollment programs? In a fundamental way, the high-tuition/ high-aid concept stands in stark contrast to a basic tenet of American undergraduate education -- that of a shared experience producing a collective good.

Discussing the Reagan Revolution's legacy, a public-policy analyst interviewed by the New York Times voiced strong skepticism regarding special purpose, or pay-as-you-benefit, taxes like the high-tuition/high-aid approach. This analyst said, "We're moving away from a system that registers a concern for general equity in the distribution of government services toward a market system, where citizens are treated very differently within the same jurisdiction, based on the ability to pay." The high-tuition/high-aid approach really sidesteps the question of what we want to postsecondary education to accomplish. It focuses almost solely on what we can afford. Is assumes that resources

will become even scarcer, thereby requiring an explicit tax structure within higher education to continue to support the enterprise.

The political consequences of the high-tuition/high-aid plans (or what might be labeled as pay-as-you-benefit plans) are frighteningly undemocratic and uncivil and move higher education in the wrong direction. The plans view postsecondary education as a private rather that public good by placing much more burden on the clients, rather than on the state, to fund the enterprise. Current research indicates that lack of knowledge about student aid deters low-income students from attending college. There is little reason to believe that students would be better advised under the high-tuition/high-aid strategy. Indeed, the higher "sticker price" would probably scare away many prospective low-income students.

Another concern with this approach is that it would mean, in large part, turning the current public system of higher education on its head. Why go so far to "privatize" the public sector? A better approach would be to "publicize" the private colleges by financing them more like public institutions. The prevailing funding approach of relatively high public subsidies to keep tuition down, backed by a safety net of student aid for the economically poor, continues to be a better way to acheive the goals of access and affordability.

If we do not panic during the current deep economic recession and become too myopic, we have a great opportunity to redefine not only how we finance postsecondary education, but also its responsibility for education, training, service, and research, and its role in achieving social equity and economic development. The more explicit we can be, the more clearly we will be able to define shared responisibilities for financing the enterprise. Instead of a new financing scheme, we need to find ways to better communicate the universal value of higher education and build a firmer political base for our current approach.

LOW TUITION, PROGRESSIVE TAXATION

by

James R. Mingle

As we debate how to finance our system of higher education, we also need to examine what kind of higher education system is needed in the years ahead. We have, through the generosity of both taxpayers and private givers, created a diverse set of institutions with worldwide reputations, and we have achieved one of the highest rates of participation in higher education in the world. Despite some recent controversies, public confidence remains high, as evidenced by continuing growth in enrollments.

I believe the public and individuals must share the obligation, with the preponderance of that obligation falling on the public. Further, I believe the best financing mechanism draws upon multiple sources -- a state-based tax system providing direct institutional support, supplemented by a federal student-aid program. I am opposed to a strategy of high public-sector tuition with compensatory increases in student aid, because I suspect that such a strategy will both harm access and reduce institutional accountability.

The most frequent argument in favor of financing higher education predominantly from private funds (read tuition) is the economic one -- namely, that since the individual benefits, he or she should pay. This is a curious argument in America, given the prevalence of public efforts to promote private benefits. The examples at the federal level are too numerous to mention. In Colorado, we used this strategy to first build a convention center, then a new airport, and now to field a baseball team. In all three cases, public investments and new taxes were used to create jobs for the state -- that is, to create private wealth. What better job-creation machine do we have than our colleges and universities?

But if you don't agree with the economic rationale for investing in higher education, there are many other excellent reasons. The research literature documents the changes -- some modest, some substantial -- that result from a college education: changes in attitudes and values, moral development, educational aspirations, career choice, and quality of life after college. Many are hard to attribute to a particular curriculum, but the preponderance of evidence affirms what the American people know from their own personal experience: Education makes a difference.

One of the most critical outcomes of a college education is the individual's improved ability to apply reasoned judgments to moral questions and to improve the quality of his or her life through wise personal choices and civic involvement. In How College Affects Students, Ernest Pascarella and Patrick Terenzini note that college-educated people tend to be healthier, to spend more time with their children, to make

more efficient consumer choices, and to participate more in cultural and civic events than those with less education.

In short, the skills gained in college are the skills of a lifetime and the necessary ones for maintaining a vital, civilized, democracy. Higher education receives, and often deserves, criticism and scrutiny for the very reason of its relevance. It is too important to be ignored. There is virtually no problem facing the world, nor this country, for which higher education institutions are not an essential part of the solution. The most important may be our ability to maintain a level of civility among ourselves and a commitment to free democratic institutions.

Why, then, why does the public's financial support for higher education seem to be declining? Higher education's share of state budgets dropped a full 15 percent in the 1980s and has declined at an even more rapid rate during the recession years of the 1990s. Many states face dramatic cutbacks next year in the wake of continuing state deficits.

But this represents not so much a failure of leadership or a decline in public confidence as it does the reality of tough fiscal times and hard choices. The ability of states to support higher education has also been harmed by federal mandates and tax policies that have increased state obligations in such areas as health, criminal justice, and the environment without providing the funds to states to carry out these laudable objectives.

What is most troublesome about the current debate over the benefits of higher education -- which is really a debate about how high tuition should go in the public sector -- is that we are in danger of making a virtue of necessity and, in the process, we may lose sight of the underlying value of public investment in higher education.

I believe tuition in the public sector will continue to increase as a proportion of instructional costs. This is unfortunate but a reality. It may even be appropriate for some public elite institutions, where the student body is similar economically to that in private elite institutions, to increase tuition significantly. But the number of institutions in this category is small, and the number of students affected is equally small.

Rather than develop a radical new financing system, we need to reaffirm the wisdom of earlier generations of Americans who believed that the public, through its tax system, had a major obligation to finance higher education. We have seen the percentage of instructional costs covered by tuition in the public sector rise steadily over the past two decades. There exists, however, a substantial range across the states, with some northeastern and midwestern states expecting tuition to cover 40 percent to 50 percent of instructional costs, and many southern and western states expecting only 20 percent to 30 percent. Some states have attempted to establish guidelines to govern the setting of tuition, for example, at one-third of costs. But in recent years, these policies

have been set aside or ignored in the face of state cutbacks.

There is no doubt that tuition increases are very tempting in the current environment. The case for raising tuition and compensating for it with increased need-based aid rests on three fundamental arguments or assumptions: (1) that such a strategy will produce a more equitable system of financing higher education, (2) that the states and/or the federal government will have the political will to make the commitment to the increased aid, and (3) that the students attending college now and in the future will have the capacity to carry the larger tuition burden. I would like to examine each of these issues and offer some alternative policies.

1. Advocates of high tuition/high aid assume that by targeting our subsidies more directly to the needy, we will have a more equitable system of financing higher education. Those who can pay more tuition will, and those who can't will be subsidized through student-aid programs. This, of course, is a laudable goal of public policy. But the most effective way to do this is by creating different subsidy policies for institutions serving different clientele and funding those institutions through a progressive state tax system. Some states already have differentials between types of institutions and levels of instruction, but many of these differentials are small. I would recommend the following guidelines.

- Low or no-cost programs available in vocational-technical institutes, community colleges, and entry-level work-based training programs, with zero to 25 percent of instructional costs borne by students.

- Moderately subsidized programs in regional state universities and land-grant universities that serve large numbers of students, with 25 percent to 50 percent of costs borne by students.

- Modestly subsidized programs in selected graduate and professional fields and highly selective undergraduate programs in public elite schools, with 50 percent to 70 percent of costs borne by students.

One of the equity arguments for raising tuition goes like this: Regressive state taxes place a disproportionate burden on the poor, who fail to benefit from the subsidies provided directly to public colleges and universities because they fail to gain admission. Thus, if we raise tuition and put the savings into student aid, we will gain the progressivity we've lost in the tax system.

High tuition in public institutions is not a good substitute for a progressive state tax system. Rather than creating an income-transfer program from middle-class students to poor students, we should build the case for public support and tax reform. If the middle class and wealthy were paying a greater share of state taxes, and those taxes were being used to subsidize public higher education, then there would a greater match between who

benefits and who pays. Furthermore, if publicly financed education and training opportunities for noncollege-bound youth were expanded through such devices as apprenticeships, equity would also be improved.

2. Supporters of high-tuition/high-aid strategies assume we will have the political will to make the commitment to the student-aid side of the equation. It is just as likely that we will see the tuition increases without the compensatory student aid. This certainly was the case in the past decade. According to the College Board, the cost of attendance in public institutions rose three times faster than the total available from student aid from federal, state, and institutional sources. State aid, specifically, failed to keep up with increasing costs during the past few years primarily because tuition was viewed as a source of revenue to make up for tax shortfalls, while student aid was seen as a cost to be contained or cut. In fact, 12 states this past year actually increased tuition and decreased aid, according to a survey by the National Association of State Scholarship and Grant Programs.

In nearly all states, the institutional lobby for appropriations is stronger and more effective than the student-aid lobby. This is because direct institutional appropriations can be justified to meet a diverse set of goals -- quality, state economic development through research and technology transfer, public service, and access. This is inherently a weak argument, especially among legislators who may believe that too many students may already be enrolled in college or that the system is unconcerned with standards and quality. Federal student-aid lobbying suffers from this weakness as well.

More important, through appropriations to institutions, legislators gain a sense of ownership and a method of control over the level of spending. Direct appropriations provide the strongest rationale and the mechanism for the coordination of the higher education system and the application of effective regulatory oversight. As much as higher education may chafe under this accountability, it has one great advantage. It produces substantial financial resources. In short, the deal is this in most state capitals: no accountability, no money.

In contrast, student aid, in addition to being complex and difficult to administer, provides no direct accountability mechanism for institutional performance. Nor does it create much of a legislative constituency. Unless the student-aid programs are dramatically expanded to include the middle class, they will generate little public support. And if they are expanded, then the burden sharing doesn't change, just the mechanism of delivering the subsidy.

From the perspective of middle-class taxpayers, higher education is one of the few direct benefits they see themselves receiving from their state government. And state legislators want to provide that support, although their flexibility to do so has been reduced by mandates and needs that, while less popular, must be met.

3. One of the most questionable assumptions made by the high-tuition/high-aid advocates is that a significantly greater proportion of current and future students will have the ability to meet the increased tuition costs. The mc . e to privatize education, both K-12 and higher education, appears to me to be out of touch with demographic and personal economic realities. The sad truth about America is that the rich are getting richer, and the poor are getting poorer.

Growing numbers of school-age children from poverty backgrounds and from racial and ethnic minorities are not in a position to pay for college. One in four new entrants to the growing poverty ranks in the 1980's was under age 18. Median income levels, adjusted for inflation, declined in 24 of the 50 states, but even in states like California where income increased, there was a dramatic growth in the number of children in poverty -- up 40 percent in the past decade. Despite compensatory student aid, I believe these students will be deterred by high sticker prices and a dizzying array of discounts. And as lauable as "choice" may be as a concept, it is simply not affordable nor available to large numbers of students.

The state of Texas is a good example of what the entire nation may face in the years ahead. Current levels of minority enrollment in Texas public institutions approach 30 percent, with some projections showing increases to about 45 percent by the end of the decade. While tuition increases have been part of the response to state deficits, it seems unlikely that states facing such demographic change could maintain these participation rates without an underlying commitment to low tuition.

There is no denying that the individual economic benefits of a college degree are substantial for graduates and that students in some fields and in some public colleges are willing and able to pay more. But for many students, going to college remains a high-risk undertaking that may or may not pay off economically, especially for those who enroll but do not complete four-year degrees.

Recent data from the U.S. Census Bureau document the extraordinary and disturbing rise of low-wage employment in America. Among all year-round, full-time workers, the percentage earning low wages (at or below the poverty rate) rose from 11.4 percent in 1974 to 17.8 percent in 1990. This rise in the working poor has occurred among all age levels and races and among all levels of education. It has been especially dramatic among young people, ages 18 to 24, increasing from 22 percent in 1974 to more than 43 percent in 1990. Even among those who have some college, the rates have grown. For example, in 1974 a young person who had at least one year of college has a 1-in-20 chance in ending up in a low-wage job. Today it is 1 in 10.

In short, a high-tuition/high-aid strategy essentially means high debt increasingly placed upon a population ill prepared to handle that debt.

As a nation, we should continue to view higher education financing as a shared burden of society and the individual, with the majority of that share paid by society through a progressive state-based tax system. We should shift some of our resources to target noncollege-bound youth and those pursuing workforce-preparation programs to rebuild the quality of our entry-level workforce and to retrain those with obsolete skills. We should look to direct institutional appropriations in public institutions and selected contract programs in private institutions as the primary and most effective mechanism to finance higher education. Our subsidy policies should range from low to high, depending on the nature of the student body served by those institutions. Our commitment to need-based student-aid programs should be maintained with the view that society has only a limited responsibility and capacity to promote choice among public and private institutions.